

Reading the future

Want to know whether your centre has what it takes to go the distance? Well, we can't give you a crystal ball but research goes a long way to providing a window into the future

By Helen Bakewell

Henry Ford said of his first automobile: *"You can have any colour as long as it is black"*.

Today, you can have any car colour in the rainbow – and it is the same for shopping centres. There are so many different types of centre these days, from those containing three department stores and alfresco dining, to those wrapped around an ice rink, and those involving just a supermarket and a handful of specialty shops.

But all shopping centres have one fundamental thing in common: a lifecycle.

They all start off shiny and new, experience rapid growth, stabilise for a while and, when the new shiny one opens up the road, often suffer a decline.

Many, many years ago, my great-grandfather managed a horse-and-carriage service in the Hunter Valley in NSW. He was offered the first Ford franchise in the area but knocked it back on the basis that *"there was no future in cars"*! Obviously he had failed to do his research on the lifecycle of the horse-and-cart and the automobile business.

Which goes to show that no matter what industry we're in, it's key to understand where our industry is in the lifecycle. Just as importantly, we need to know where our asset, product or service sits in that lifecycle and what research information we need to ensure we keep steering our investment in the right direction.

The lifecycle can be segmented into four sections (see Chart 1). Starting with an introduction of the product, this stage is usually the innovative and development stage, enjoying high energy and momentum.

If the introduction of the product is successful, it sees rapid growth.

Then, as the product stabilises, there is a consolidation growth period. Eventually, other new products enter the market and as our product matures, growth starts to decline – and sometimes suffers a reverse. At this point (but hopefully earlier), the product is either withdrawn from the market or is revitalised and relaunched.

The life of a shopping centre is no different, and so understanding stakeholder and economic influences at each step of its lifecycle is

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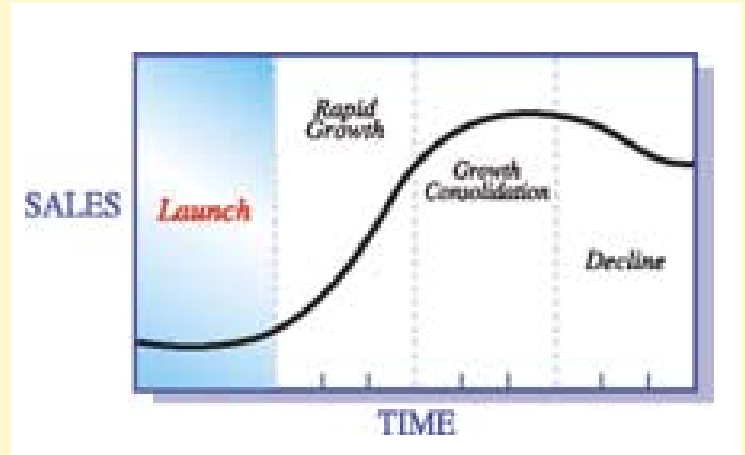
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essential to maximise potential turnover and return on investment over the whole period.

It is paramount to understand not only the industry in which we operate, but also where the asset we manage, sits on the lifecycle curve.

One of the simplest, yet most effective, ways to ascertain this is to graph sales growth against market growth.

Market growth comprises population growth, CPI and real growth for the asset's trade area.

Against this graph, it also is important to plot historical centre improvements. If the sales for the centre are growing above market, it usually indicates the centre is in launch – or rapid growth – phase.

If it is tracking at or below market growth, it is consolidating or in decline.

Depending on where the asset sits will determine the short- and long-term strategy required to maintain growth. It also will indicate the type of research required to support the asset strategy.

Asset selection and development/redevelopment (launch)

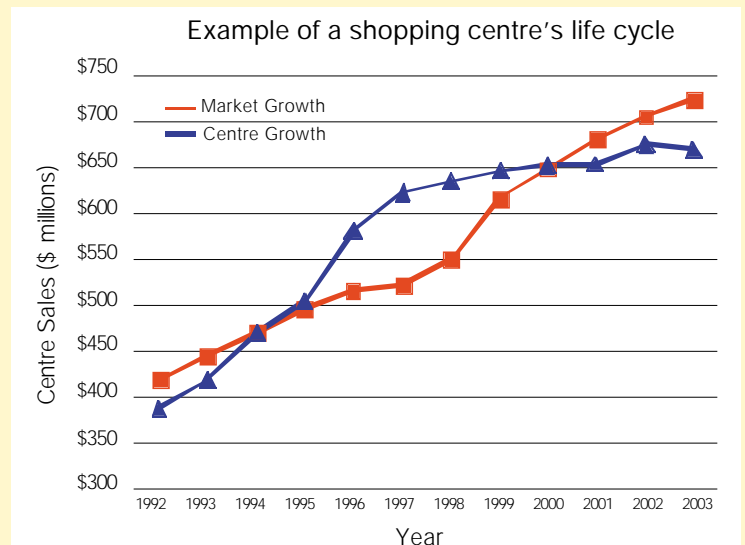
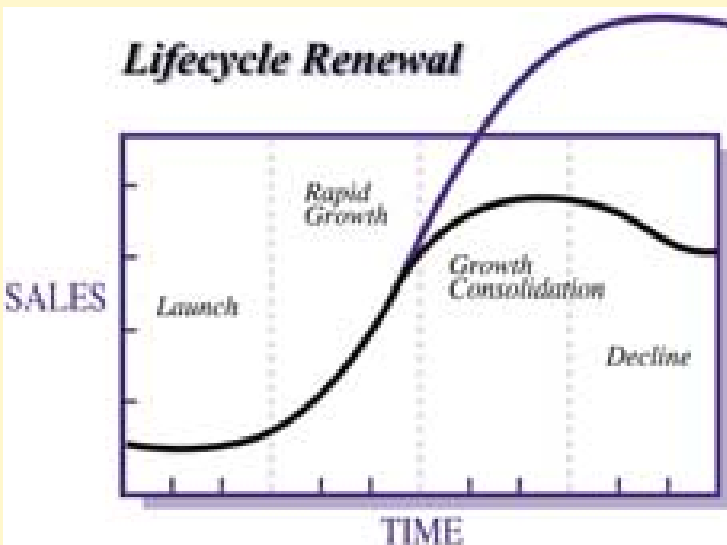
So what research is required to support the launch phase of an asset's lifecycle, be it a greenfield or brownfield development?

If you have an asset about to undergo significant redevelopment, a thorough economic and consumer assessment of the market – including centre development scenarios – is recommended.

Understanding the potential economic outcomes and consumer preferences to various development and "do-nothing" scenarios can avert costly mistakes.

After completing research for the launch phase of a development, the management team should have a thorough understanding of:

- Centre potential.
- Preferred development scenarios, and economic and consumer viewpoints.
- A detailed master plan that has been tested in the market.
- A detailed retail plan also tested in the market.
- A detailed marketing launch platform that has been market-tested.



Step 1: Economic Assessment

Appraisal is the first step in a centre's development/redevelopment or purchase, and initially involves economic research that:

- Determines the potential market size and characteristics.
- Understands current and potential market demographics.
- Assesses competition, both existing and proposed.
- Analyses site potential for remix, reconfiguration and/or development.

After the initial assessment it may be appropriate to do a full economic market assessment, and for a typical centre this would include:

- Location and composition assessment.
- Trade area analysis (physical and economic).
- Trade area demographics analysis.
- Retail spending and potential.
- Competition review and potential.
- Centre turnover performance and potential.
- Occupancy cost performance.
- Market share analysis and potential.

- SWOT (strengths, weaknesses, opportunities, threats) analysis.
- Future strategy recommendations

If the centre is due for redevelopment/ rejuvenation, it may be appropriate to assess preliminary development scenarios.

Step 2: Customer Assessment

On completing the economic assessment of the centre or site, if there is potential to develop or expand the centre it is essential to align the master plan to the trade area customer's needs.

Many developments perceived as being economically viable have failed to reach investor expectations as a result of not understanding or delivering to the trade area consumers' needs.

Before the master plan for the centre development is finalised, it is essential to understand the local market's needs and expectations.

There are two main tools used to understand consumer needs:

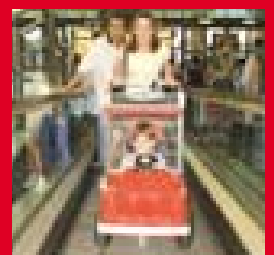
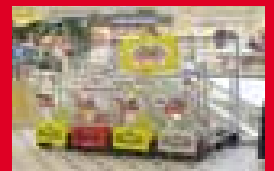
- Quantitative study (telephone or face-to-face survey, and so on).
- Qualitative study (such as focus groups or one-on-one interviews).

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The methodology applied is dependent on the scope and scale of the proposed development. As with all research, a brief should be prepared and submitted to the tendering research companies to optimise the methodology used.

However, as a guide here are techniques that are effective in formulating master plan input.

Check out the *Marketing Matters* magazine website, too for our guide on "How To Write A Research Brief".

Quantitative, or user/non-user study. This is a trade area telephone study undertaken with an equal sample of users and non-users of the centre. This is best used when you want to understand:

- The loyalty of your customer base.
- How easily your customer base could be persuaded to shop elsewhere.
- What you need to do to draw more shoppers.

There are many variations on this technique and each centre needs a specific methodology designed for its issues.

Having said that, with an exit survey of existing customers compared to a survey on non-users, a gap analysis of who you are not attracting, and why, can be assessed quickly. This is powerful information in formulating forward strategies.

Qualitative, such as focus groups. In completing an economic assessment and customer survey of the centre, at this stage the centre assessment has been based on economic analysis and quantitative customer responses to pre-determined questions.

What you should know

On completion of the development research, the management team should thoroughly understand:

- Centre turnover and trade area potential
- Preferred development scenarios economically and from the customers' point of view.
- A tested and detailed master plan.
- A tested and detailed retail plan
- A tested and detailed marketing launch platform

But it is essential to also understand the psyche of your trade area consumer.

Qualitative research is used to understand the attitudes and thoughts of people with similar behaviour patterns, or who live in similar areas. It gives the consumer a "voice" to explain the rationale behind certain behaviours and attitudes.

It also provides a forum to question participants on development schemes, treatments and retail plans.

There are various techniques available – and the methodology would be determined in line with the brief – but focus groups are the most widely used.

These are typically a 90-minute facilitated session with eight to 10 participants.

There is a facilitator, who uses a script to direct the group to discuss views on various items. Specialised techniques such as imaging collages and bubble pictures can be used to draw out customer thoughts and unconscious

opinions.

Usually, a minimum of four to six focus groups are conducted, to avoid group bias, and the groups usually comprise "life stage" segments of users and non-users of the centre.

At this point in a development, it is often wise to conduct qualitative research (focus groups or one-on-one interviews) with key

stakeholders of the development, such as:

- Community groups and leaders.
- Retailers, either existing or potential.

After the consumer research, it's time to re-assess the final master plan development scenario with an economic consultancy.

In this way, you ensure your customers' requirements align with the economic potential.

Finally, depending on the scale of the development, and the developer's knowledge of the market, it is often advisable to test with the consumer market:-

- A detailed retail plan including precinct placement and specific retailer preferences
- Detailed ambience themes, including fixtures and fittings as part of the retail plan delivery testing
- The marketing launch program that is going to be used to reflect and entice customers to visit the development package to be delivered.

These results are usually delivered through a tailored qualitative analysis and, again depending on the scale and risk profile of the development, with quantitative trade area interview follow-up.

But we'll save the details of how to go about these for another issue of *Marketing Matters*. ■

But wait, there's still more!

You'll find more strategic advice from Helen Bakewell on the *Marketing Matters* magazine website.

There, you can read her invaluable guide on "How To Write A Research Brief".

Check it out at www.marketingmattersmagazine.com